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SUBJECT: DP WORLD SELLS U.S. PORT OPERATIONS

REF: A. DUBAI 001846, B. DUBAI 006394

CLASSIFIED BY: Paul R Sutphin, Consul General, Dubai, UAE.
REASON: 1.4 (b), (d)

1.(U) The chairman of Dubai World, the Dubai government holding company that includes the port and freezone operators DP World group, Sultan bin Sulayem announced on December 11 that DP World had sold its operations at six U.S. ports to AIG Global Investment Group. Although he did not reveal the price AIG Global Investment Group paid to DP World, he said that the price was "fair." According to press reports, DP World was seeking USD 700 million for the U.S. operations.

2.(C) When DP World purchased Peninsular and Oriental Steam Navigation in February 2006 it acquired operations in the ports of New York, Newark, Baltimore, Philadelphia, Miami, and New Orleans. After encountering Congressional opposition to the sale, DP World agreed to sell off the U.S. operations in March 2006 (ref A). In October bin Sulayem told Consul General DP World stated that they expected the sale to be completed in November (ref B). Following the AIG announcement, Bin Sulayem was quoted in the press as saying "we are disappointed to be exiting the U.S. market". Comment: Dubai World may be exiting the US port operations market, but bin Sulayem had earlier made clear that Dubai World - under the direct mandate of Dubai ruler Mohammed bin Rashid al Maktoum - would not retreat from other business engagement in the US. In fact, another arm of Dubai World, Istithmar, has stepped up its purchases of US hotels and other investment properties in the wake of the ports controversy. End comment.

3.(U) An editorial in the English-language daily Gulf News dated December 13, 2006 summed up a variety of local views, praising the "diplomacy and grace" DP World showed throughout the episode, and contrasting it with U.S. government "heavy handed opposition" and accusing the USG of "pandering to ignorant Americans who couldn't find Dubai on a map."

4.(C) Comment: We believe this is an accurate summation of popular Emirati sentiment regarding the issue -- as distinct from the typical UAEG official posture that the bilateral relationship remains unaffected. Among senior Dubai officials, the issue still rankles -- every senior official the Consul General has met since his arrival in August has raised it, although usually more along the lines of the hurt feelings of "a close ally badly treated." Many of these officials, including bin Sulayem and Federal Minister for Cabinet Affairs (and MbR confidante) Mohammed Gergawi also have been clear that lessons have been learned about the need to lobby in Washington and in

the US to market Dubai, Inc as a dependable brand. We believe Dubai is prepared to spend considerable sums to do so as it looks to continue investment in the US; for example, Dubai is preparing a paid insert to the New York Post to sell itself as a business and tourism destination -- and a place that wants closer economic linkages with the U.S. End Comment.

SUTPHIN